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CC Docket #96-98  
~~CCB/CPD 97-30~~

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of	)	
	)	
Request by ALTS for Clarification	)	CCB/CPD 97-30
of the Commission's Rules Regarding	)	
Reciprocal Compensation for	)	
Information Service Provider Traffic	)	

AMERITECH COMMENTS

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I. INTRODUCTION AND SUMMARY

The Ameritech Operating Companies (Ameritech) respectfully file these comments in opposition to the request by the Association for Local Telecommunications Services (ALTS) for a letter clarifying the status of information service provider (ISP) traffic for purposes of the Commission's reciprocal compensation rules.<sup>1</sup> ALTS specifically seeks a ruling that "nothing in the Commission's Local Competition Order . . . altered the Commission's long standing rule that calls to an Information Service Provider ("ISP") made from

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<sup>1</sup> See FCC Public Notice, DA 97-1399, released July 2, 1997. The Commission has concluded that all services previously classified as enhanced services are information services, as defined by the 1996 Act. See Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, 11 FCC Rcd 21905 (1996) at para. 103. Because Ameritech's primary concern herein is with Internet access services - which, thus far, have been treated as enhanced services by the Commission - Ameritech does not in these comments distinguish between enhanced service providers (ESPs) and ISPs. Ameritech recognizes, however, that to the extent an ISP is not also an ESP, different considerations might arise.

within a local calling area must be treated as local calls by any and all LECs involved in carrying those calls.”<sup>2</sup>

As discussed more fully below, ALTS’ request should be denied. It is based on the false premise that reciprocal compensation obligations are determined with reference to a call’s status under the Commission’s Part 69 rules, rather than its geographic boundaries for jurisdictional purposes. The Commission has never so held; indeed, its rules are to the contrary. Moreover, ALTS’ request is at odds with longstanding jurisdictional principles, pursuant to which ISP traffic that crosses state boundaries, including Internet traffic, is unquestionably interstate. It is also contrary to sound public policy. It would prevent the Commission from adopting cost-based Internet access pricing, and introduce subsidies into such pricing that would distort the workings of a free marketplace.

As the Commission recognizes in its Notice of Inquiry on Implications of Information Service and Internet Usage (NOI), “the development of the Internet and other information services raises many critical issues . . . [that] concern no less than the future of the public switched telephone network[.]”<sup>3</sup> The

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<sup>2</sup> Letter from Richard J. Metzger, General Counsel, ALTS, to Regina Keeney, Chief, Common Carrier Bureau, FCC, June 20, 1997 (ALTS Letter) at 1.

<sup>3</sup> Usage of the Public Switched Network by Information Service and Internet Access Providers, Notice of Inquiry, CC Docket No. 96-263, FCC 96-488, released Dec. 24, 1996, at para. 311.

Commission needs to address these issues head-on, not simply by bootstrapping old policies into new contexts to which they do not apply, and which were never even considered when those policies were enacted.

## II. BACKGROUND

Section 251(b)(5) of the 1996 Act provides that each local exchange carrier (LEC) has "[t]he duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications." In the Local Competition Order, the Commission concluded that this provision applies "only to traffic that originates and terminates within a local area . . . not . . . to the transport or termination of interstate or intrastate interexchange traffic."<sup>4</sup> This holding is codified in section 51.701 *et seq.* of the Commission's rules, which prescribe reciprocal compensation rules for "local telecommunications traffic" and define such traffic as "[t]elecommunications traffic between a LEC and a telecommunications carrier other than a CMRS provider that originates and terminates within a local service area established by the state commission[.]"<sup>5</sup>

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<sup>4</sup> Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, FCC 96-325, released August 8, 1996, at para. 1034.

<sup>5</sup> 47 CFR { 51.701(b)(1). The Commission's rules separately define local telecommunications traffic for reciprocal compensation purposes when CMRS providers are involved, but that variation on the definition of local telecommunications traffic is not relevant here.

According to ALTS, traffic delivered to an ISP from within a local calling area is local traffic for purposes of the reciprocal compensation rules. While ALTS concedes that "the end points of the related calls may well be 'interexchange' for the purpose of determining the Commission's jurisdiction under the Communications Act," it claims that "the relevant point here is that [sic] Commission has ruled that ISPs be treated as end users, meaning that the inbound local call is not 'interexchange' for the purposes of its access charge regime."<sup>6</sup> Stated differently, ALTS maintains that the Commission's access charge exemption, pursuant to which ESPs (and for present purposes ISPs) are treated as end users for access charge purposes - and not the jurisdictional boundaries of a call - dictates a call's status for reciprocal compensation purposes.

### III. ARGUMENT

#### A. Calls to ISPs Are Not Local Calls.

While ALTS' letter is unclear, it appears that ALTS is arguing that, insofar as the Commission treats ISPs as end users for access charge purposes, ISPs are also end users for reciprocal compensation purposes. Under this theory, calls to

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<sup>6</sup> ALTS Letter at 6. According to ALTS, LEC claims that ISP access is jurisdictionally interstate "confuses calls that are 'interexchange' for the purpose of the Commission's jurisdiction, with the entirely distinct category of calls that are 'interexchange' for the purpose of paying Part 69 access charges." ALTS maintains that calls to ISPs are interexchange for jurisdictional purposes only. *Id.*

ISPs would be local calls originating and terminating in the same local calling area.

To the extent this is ALTS' claim, the claim is without foundation. The Commission has never held that ISPs are end users for all purposes, or even for purposes of the reciprocal compensation rules; rather, it has held only that ISPs are to be treated as end users "for purposes of the access charge system."<sup>7</sup> The fact that, for policy and political reasons, the Commission has exempted ISPs from having to pay access charges in no way alters the fact that the traffic they receive is access traffic, not local traffic. Indeed, the Commission has always recognized it as such. For example, in the 1983 order in which the Commission initially established the ISP access charge exemption, the Commission stated: "Among the variety of users of access service are . . . enhanced service providers[.]"<sup>8</sup> Likewise, in its 1987 Notice of Proposed Rulemaking in which it proposed to lift the ISP access charge exemption, the Commission stated:

We are concerned that the charges currently paid by enhanced service providers do not contribute sufficiently to the costs of the exchange access facilities they use in offering their services to the public. As we have frequently emphasized in our various access charge orders, our ultimate objective is to establish a set of rules that provide for recovery of the costs of exchange access

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<sup>7</sup> See, e.g., Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, End User Common Line Charges, CC Docket Nos. 96-262, 94-1, 91-213, and 95-72, FCC 97-158, released May 16, 1997 (Access Reform Order) at para. 348.

<sup>8</sup> MTS and WATS Market Structure, 97 FCC 2d. 682, 711 (1983).

used in interstate service in a fair, reasonable, and efficient manner from all users of access service, regardless of their designation as carriers, enhanced service providers, or private customers. Enhanced service providers, like facilities-based interexchange carriers and resellers, use the local network to provide interstate services. To the extent that they are exempt from access charges, the other users of exchange access pay a disproportionate share of the costs of the local exchange that access charges are designed to cover.<sup>9</sup>

In both of these dockets, the Commission decided not to impose access charges on ISPs. In each case, however, the Commission cited only policy reasons for its decision - in particular, its concern that imposing access charges at that time on enhanced service providers could jeopardize the viability of what was still a fledgling industry.<sup>10</sup>

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<sup>9</sup> Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers, Notice of Proposed Rulemaking, 2 FCC Rcd 4305, 4306 (1987).

<sup>10</sup> Thus, for example in the 1983 order, the Commission held:

Other users who employ exchange service for jurisdictionally interstate communications, including . . . enhanced service providers . . . who have been paying the generally much lower business service rates, would experience severe rate impacts were we immediately to assess carrier access charges upon them. . . . Were we at the outset to impose full carrier usage charges on enhanced service providers and . . . a select few others who are currently paying local business exchange service rates for their interstate access, these entities would experience huge increases in their costs of operation which could affect their viability.

MTS and WATS Market Structure, 97 FCC2d at 715. Echoing this view in 1988 after the political firestorm engendered by its proposal to lift the ISP access charge exemption, the Commission concluded that "given the combined effects of the impending ONA implementation and the entry of the BOCs into certain aspects of information service, the imposition of access charges at this time is not appropriate and could cause such disruption in this industry segment that provision of enhanced services to the public might be impaired." Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers, Order, 3 FCC Rcd 2631, 2633 (1988).



More recently, in the Access Reform Order, the Commission again declined to impose access charges on ISPs. The Commission found that “[t]he access charge system contains non-cost-based rates and inefficient rate structures” that were not wholly addressed by access reform.<sup>11</sup> The Commission also found that existing access charges may not reflect certain differences between circuit switching and packet switching. The Commission held that it was not convinced that exempting ISPs from access charges imposed uncompensated costs on LECs or contributed to network congestion. Thus, while extending the ISP access charge exemption, it issued the NOI to “consider the implications of information services more broadly, and to craft proposals for a subsequent NPRM that are sensitive to the complex economic, technical, and legal questions raised in this area.”

Notably absent from any of these decisions is a determination that traffic to ISPs is, in fact, local traffic, rather than access traffic. Instead, in each case, the Commission granted or perpetuated an exemption from the access charge regime, based solely on pragmatic (and political) considerations regarding the impact of existing access charges on the ISP industry. Moreover, in each instance, the Commission specifically held out the possibility that access charges, either as currently structured or modified, might be applied in the future to ISPs. Obviously, if the Commission had concluded that traffic received by ISPs was

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<sup>11</sup> Access Reform Order at paras. 344-348.

local, there would have been no need for it to exempt that traffic from the access charge regime; access charges would not have applied in the first place.

Moreover, the Commission could not have held out the possibility that it might, in the future, assess some form of access charge on such traffic. If the traffic is truly local traffic, it could never be subjected to any form of interstate access charges.

Given that the Commission has always assumed that ISP traffic is access traffic, ALTS' claim that ISP traffic is local traffic for reciprocal compensation purposes must, in the final analysis, rest on the proposition that an access charge exemption, or legal fiction created thereby, can alter the jurisdictional nature of a call. That proposition is wholly unsupported and unsupportable.

**B.     The Geographic Boundaries of a Call, Not Part 69, Determine  
          Its Status for Purposes of the Reciprocal Compensation Rules.**

ALTS' also appears to claim that a call's treatment under the Part 69 access charge rules - rather than its jurisdictional boundaries - determines its status for reciprocal compensation purposes. This claim is flatly inconsistent with the Local Competition Order or Commission rules. As noted above, the Commission defines local traffic for reciprocal compensation purposes solely with reference to the jurisdictional boundaries of calls - that is, their origination and termination points. Nowhere in the Local Competition Order, or any other

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order for that matter, does the Commission state that Part 69 plays any role in this determination.

ALTS attempts to finesse this issue by claiming that the Commission “ordered that all CMRS traffic not currently paying access charges be included in transport and termination agreements in order to insure this traffic would not be assessed access charges.”<sup>12</sup> Although ALTS’ letter is vague on this point, apparently ALTS would infer from this that any traffic outside the access charge regime is necessarily local for reciprocal compensation purposes. This inference represents a distortion of the Local Competition Order. In the Local Competition Order, the Commission stated: “We reiterate that traffic between an incumbent LEC and a CMRS network that originates and terminates within the same MTA (defined based on the parties’ locations at the beginning of the call) is subject to transport and termination rates under section 251(b)(5), rather than interstate or intrastate access charges.”<sup>13</sup> In response to claims that reciprocal compensation mechanisms supplanted access charges, the Commission further stated:

Based on our authority under section 251(g) to preserve the current interstate access charge regime, we conclude that the new transport and termination rules should be applied to LECs and CMRS providers so that CMRS providers continue not to pay interstate access charges for traffic that currently is not subject to such charges, and are assessed such charges for traffic that is currently subject to interstate access charges.<sup>14</sup>

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<sup>12</sup> ALTS Letter at 5, citing Local Competition Order at para. 1043.

<sup>13</sup> Local Competition Order at para. 1043 (emphasis added).

<sup>14</sup> Id.

Nowhere, however, did the Commission state that, notwithstanding the geographic boundaries of a call, any call not subject to access charges would be subject to reciprocal compensation. On the contrary, the Commission made it clear that - consistent with its rule for non-CMRS traffic - the geographic boundaries of a call between LECs and CMRS providers determine whether reciprocal compensation applies.<sup>15</sup>

C. To Hold Now that ISP Traffic is Local Would  
be Wrong Both as a Matter of Law and Policy

In arguing that the Commission has "long held" that ISP traffic is local, ALTS' conspicuously omits any discussion or analysis of the true jurisdictional nature of such calls. This omission is telling. The facts, the Commission's precedents, and policy considerations demonstrate that ISP traffic - including Internet access traffic - cannot be considered intrastate, let alone local, as ALTS suggests.

For the typical ISP service, such as a voice mail service, this point is almost too obvious to belabor. As the Commission recognized in the Voice Mail

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<sup>15</sup> See text accompanying note 8, *supra*. See also Local Competition Order at para. 1044. Because CMRS providers have not been exempted from access charges, as a practical matter, reciprocal compensation will apply to all calls between a LEC and a CMRS network that are not subject to the access charge regime. This is not, however, due to any *quid pro quo* defining local calls as calls to which access charges do not apply; rather it is due to the fact that any call that is not subject to access charges necessarily will be geographically local in its boundaries.

Preemption Order, when a caller accesses an ISP database, there is a continuous two-way transmission path from the caller location to that database. When that database is located out-of-state, the call is an interstate communication.<sup>16</sup>

Significantly, in the Voice-Mail Preemption Order, the Commission specifically rejected the argument that when a caller accesses a voice-mail service from out-of-state, two jurisdictional transactions take place: the interstate call to the telephone company switch, and the intrastate call from the switch to the voice-mail apparatus. Rather, as noted, the Commission found that there is a single interstate communication, the jurisdictional boundaries of which were defined by the location of the caller and the voice mail equipment the caller was accessing.<sup>17</sup> Having concluded, based on longstanding, well-established precedent, that it is the points of origin and termination of a communication that define its jurisdictional character, the Commission is not free arbitrarily to adopt a contrary view now.

Similarly, Internet traffic, which might best be described as jurisdictionally *sui generis*, cannot possibly be deemed local. As a recent working paper from the Commission's Office of Plans and Policy notes, one of the basic, defining characteristics of the Internet is that it is a "distributed network" – that

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<sup>16</sup> Petition for Emergency Relief and Declaratory Ruling Filed by the BellSouth Corporation, 7 FCC Rcd 1619-1620-21 ((1992).

is, it is a network comprised of an interconnected web of "host" computers, each of which can be accessed from virtually any point on the network. Thus, "[t]he Internet is simultaneously local, national, and global[.]"<sup>18</sup> "[A]n Internet "user can obtain information from a host computer in another state or another country just as easily as obtaining information from across the street[.]"<sup>19</sup> Moreover, he/she can do so, not only during the same transmission, but at one and the same time. For this reason, the OPP working paper concludes: "[I]t would be difficult to claim that the Internet does not, at some level, involve interstate communications, or that the Internet will not at some point (if it does not already) have a significant competitive impact on existing providers of regulated communications services."<sup>20</sup> The fact that this traffic is inseverable - that one Internet "call" may simultaneously be intrastate, international, and interstate - permits, indeed compels, the Commission to exercise jurisdiction with respect to

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<sup>17</sup> Id.

<sup>18</sup> OPP Working Paper Series #29, "Digital Tornado: The Internet and Telecommunications Policy," Kevin Werbach, March 1997 ("Digital Tornado") at 26.

<sup>19</sup> "Digital Tornado" at 17. See also id. at 45: "[B]ecause the Internet is a dynamically routed, packet-switched network, only the origination point of an Internet connection can be identified with clarity. Users generally do not open Internet connections to "call" a discrete recipient, but access various Internet sites during the course of a single connection. . . . One Internet "call" may connect the user to information both across the street and on the other side of the world."

<sup>20</sup> "Digital Tornado" at 27.

all of it under the inseverability criteria of Louisiana Public Service Commission v. FCC.<sup>21</sup>

Because Internet traffic is interstate, Internet access traffic is likewise interstate. That is because - as is the case with all traffic - it is the end-to-end character of the communication that determines its jurisdictional status. As the Commission noted in the Voice-Mail Preemption Order, "[t]his Commission has jurisdiction over, and regulates charges for, the local network when it is used in conjunction with origination and termination of interstate calls."<sup>22</sup>

Indeed, with respect to the Internet at least, the Commission would be on especially flimsy ground if it attempted to treat Internet access and Internet services as separate calls. This is so because many Internet services are indistinguishable from other types of telecommunications to which the principle of indivisibility applies. The most obvious example is Internet telephony, but there are others, including e-mail service and real-time Internet chat services. In

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<sup>21</sup> 476 U.S. 355 (1986) at note 4. See also Voice Mail Preemption Order at 1620: "We have recently had occasion to reiterate that Congress intended interstate communications to be regulated exclusively by the Commission" citing Operator Service Providers of America, 6 FCC Rcd 4475 (1991).

<sup>22</sup> Petition for Emergency Relief and Declaratory Ruling Filed by the BellSouth Corporation, 7 FCC Rcd 1619, 1621 (1992) (citations omitted).

addition, several interexchange carriers have recently announced plans to offer low-cost international facsimile service over the Internet.<sup>23</sup>

Nor would it be prudent from a policy standpoint for the Commission to ignore longstanding precedent and define Internet access as a local call. Indeed, it would be directly contrary to two goals the Commission has repeatedly espoused over the years, and particularly since passage of the 1996 Act: (1) establishment of efficient pricing mechanisms wherein prices reflect costs; and (2) adoption of technology-neutral rules that permit the marketplace, as opposed to regulators, to determine winners and losers.

(i) Cost-based pricing

While it concluded that ISPs should continue to be exempt from the access charge regime, the Commission did not find that the exemption led to the efficient recovery of ISP-related costs. Rather, the Commission declined to substitute an imperfect access charge regime for an imperfect status quo - pursuant to which ISPs typically pay LECs a flat monthly rate for their connections regardless of the amount of usage they generate.

A conclusion, however, that the existing access charge regime is not in all respects cost-based and does not send the correct market signals is not tantamount to a conclusion that no form of access charge is appropriate. As the

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<sup>23</sup> See "'WorldCom Offers Internet Fax,'" Financial Times, July 8, 1997, at 14.



OPP working paper points out: "The notion of 'usage charges' should be distinguished from current interstate access charges. . . . The real question is whether ISPs should pay some new cost-based usage charge."<sup>24</sup>

Yet classifying ISP traffic as local would forever shut the door to such a charge. It would mean that, no matter how much Internet traffic grows, no matter how much Internet traffic is used for interstate telecommunications - or even for voice telephony - and no matter what the impact on LEC networks of Internet growth, such traffic would remain forever "local," outside the jurisdiction of the Commission. It would mean that unless and until each individual state revised its local rate structure, ISPs would continue to pay flat-rated local charges, regardless of their usage, and regardless of the costs of originating ever-increasing Internet traffic. This would be directly contrary to the Commission's espoused goal of establishing cost-based rates.<sup>25</sup>

Worse still, the reciprocal compensation payments attending Internet access traffic would further distort Internet access pricing. As the OPP working paper notes, "[r]eciprocal compensation arrangements operate on the

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<sup>24</sup> "Digital Tornado" at 62.

<sup>25</sup> Cf. "Digital Tornado" at 9: "Although government should support the growth of the Internet, this support need not involve explicit subsidies that are not justified as a matter of public policy and economics. Instead, government should create a truly level playing field, where competition is maximized and regulation minimized."

assumption that traffic between two networks will be relatively balanced, because on average users receive about as many calls as they make. In the case of an Internet service provider, this assumption breaks down."<sup>26</sup>

While ostensibly competitive LECs (CLECs) that receive reciprocal compensation payments are entitled only to the additional costs they incur in terminating local traffic, the reality is that they can obtain much more. Because CLECs may avail themselves of most-favored-nation (MFN) rights, they can obtain the highest reciprocal compensation rate available in the state - regardless of whether that rate, in any way, reflects their own costs. In other words, in complete contrast to the forward looking economic cost methodology the Commission has embraced for other purposes - pursuant to which charges are supposed to reflect those that would prevail in a competitive market - CLECs are able to obtain the rate that applies to the least efficient competitor, the competitor whose costs of terminating local traffic are highest.

This is not merely a theoretical problem. Because until very recently, Ameritech did not attempt to identify Internet access traffic originated by Ameritech and terminated by CLECs, Ameritech has paid CLEC reciprocal

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<sup>26</sup> "Digital Tornado" at 35.

compensation bills for Internet access, as well as for local calls.<sup>27</sup> During the period in which Ameritech was paying these bills, CLECs, which had been previously negotiating for the lowest possible reciprocal compensation rates or advocating a "bill and keep" mechanism, began exercising their MFN rights to obtain the highest possible rate. CLECs, including those that have elected arbitration in order to seek a lower reciprocal compensation rate, have abandoned their arbitrated or negotiated rates and instead elected the highest available rate in each of Ameritech's states. Indeed,, one CLEC, which obtained through arbitration a reciprocal compensation rate of .2 cents in Michigan, has elected instead a 1.5 cent reciprocal compensation rate.<sup>28</sup>

Moreover, the ability of CLECs to use their MFN rights to obtain the highest reciprocal compensation rate available would enable them effectively to lock-up the entire Internet access market. It would enable them to offer special deals to Internet service providers that they know can be financed through their reciprocal compensation windfall. In contrast, the ILEC would not be able to

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<sup>27</sup> Ameritech recently notified CLECs to which it mistakenly paid reciprocal compensation for Internet access calls that it would no longer pay reciprocal compensation for such traffic. Ameritech requested that, once the amount of incorrect payments is identified, each party reimburse or credit the other party for any incorrectly paid reciprocal compensation. Ameritech also indicated that it would be willing to discuss the appropriate resolution of any disputed amounts, including establishing an escrow account upon mutually agreeable terms and conditions into which both parties would pay disputed amounts, pending a final determination of their respective obligations.

<sup>28</sup> The highest available rate in Ohio as well is 1.5 cents per minute; in other states in the Ameritech region it is .9 cents per minute.

offer similar deals, since it would have no such windfall to draw on. In most cases, it would receive no reciprocal compensation for terminating traffic, and, in any event, the CLEC would be in the position of determining the applicable reciprocal compensation rate.

Particularly given the explosive growth of Internet traffic, this situation would not be sustainable. Before terminating reciprocal compensation payments for Internet access traffic, Ameritech found that between 30% and 70% of its reciprocal compensation payments were for traffic terminated to identifiable Internet service providers. Moreover, the number of Internet users has been doubling every year, and this trend is expected to continue.<sup>29</sup> If the Commission decided to extend reciprocal compensation obligations to Internet access, it would soon be the case that virtually all reciprocal compensation would be Internet-related.

Such a result cannot be reconciled with the purposes of reciprocal compensation. Reciprocal compensation was never meant to be a "cash cow." Rather, it was intended to promote a level playing field by eliminating a barrier to the development of local competition. Extending reciprocal compensation to Internet access traffic under the fiction that such traffic is local would distort that

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<sup>29</sup> "Digital Tornado" at 21.

level playing field and introduce non-cost-based prices into Internet-related services.

(ii) Technology-neutral rules

Treating ISP access as local traffic would also undermine the Commission's goal of allowing the marketplace, rather than regulatory fiat, to dictate the growth of new technologies and services. If Internet access is priced in an inefficient manner – and clearly flat-rated local service charges are inefficient - that service will not develop based on the dictates of the marketplace, but based on the false signals sent by an inefficient cost structure. The problem would be compounded to the extent the rates charged by CLECs for local service would be subsidized by non-cost-based reciprocal compensation payments.<sup>30</sup> In other words, declaring that Internet access is local traffic for reciprocal compensation purposes would confer on Internet service providers not only the benefits of the ISP access charge exemption, but also the benefits of subsidized local exchange service.

This could have distorting effects not only on the development of Internet services, but on the development of alternative Internet access services. While LECs remain the predominant providers of Internet access service, competitors, such as cable companies, terrestrial wireless, and satellite providers, have

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<sup>30</sup> See "Digital Tornado" at ii: "The Internet encourages the deployment of new technologies that will benefit consumers. The Commission should not attempt to pick winners, but should allow the marketplace to decide whether specific technologies will be successful."

entered the market. Unless the Commission allows for efficient usage-based pricing of Internet access services - without the subsidies inherent in reciprocal compensation - the fate of these alternative access arrangements will be dictated, not by their merits, but by distorted, non-cost based pricing resulting from the Commission's treatment of Internet access service as local traffic.

#### IV. CONCLUSION

For the reasons stated above, the Commission should deny ALTS' request for a declaratory ruling that ISP access constitutes local traffic for reciprocal compensation purposes. This request is at odds with the Commission's rules, which define local traffic for purposes of the reciprocal compensation provisions based on the jurisdictional nature of the call. It also ignores longstanding precedent, pursuant to which Internet access traffic is clearly interstate traffic.

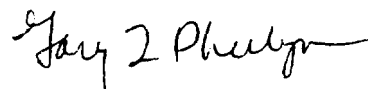
The Internet is already revolutionizing telecommunications as we know it, so much so, that it is a cliché to make the point. To begin addressing the myriad of regulatory issues raised by Internet service, the Commission has issued a Notice of Inquiry (NOI). Through this NOI, and, undoubtedly countless proceedings to follow, the Commission will begin to understand the implications of the Internet and when and how to regulate Internet-related services. Before this process has even begun, ALTS would have the Commission cede jurisdiction

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over Internet access traffic by deeming such traffic local. Moreover, it would do so without any analysis of the nature of the traffic, or any discussion of the policy implications of such a result - relying solely on artifice, a bootstrapping of the language of the ISP access charge exemption.

The development of a rational Internet policy is too important to be "the tail end of the dog." Internet policy should stand on its own; it should not be dictated by an ISP access charge exemption that was enacted in a completely different context, before Internet service was even in the Commission's consciousness. Granting ALTS' request - and declaring Internet access to be "local" - would severely limit the Commission's options in addressing Internet-related issues, including those raised in the NOI. Ameritech submits that this would not only constitute a monumental mistake, but that it would be compounded exponentially if the sole basis for that holding were the arguments presented in ALTS' eight-page letter, which does not even begin to address any of the unique legal and policy questions raised by Internet access. ALTS' request should be denied.

Respectfully Submitted,



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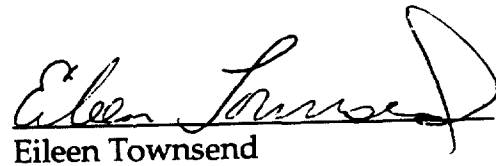
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CERTIFICATE OF SERVICE

I, Eileen Townsend, do hereby certify that a copy of the foregoing Ameritech Comments has been served on the party listed below, by first class mail, postage prepaid, on this 17th day of July, 1997

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